



STATE OF WASHINGTON

OFFICE OF FINANCIAL MANAGEMENT

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July 14, 2025

TO: Matt Jones, Acting Director
Department of Enterprise Services

FROM: K.D. Chapman See
Director

SUBJECT: AUTHORIZATION FOR TEMPORARY CASH DEFICIENCY IN LIABILITY ACCOUNT (547)

In response to your June 25, 2025 request and pursuant to RCW 43.88.260(2)(b), I authorize the Liability Account (Fund 547) to be in a temporary cash deficiency of up to \$1.01 billion. This authorization is for the 2025-27 biennium and expires on June 30, 2027.

It is our understanding that the account will continue to experience cash deficiencies due to the timing of payments for liability settlements and judgments against the state and when the Department of Enterprise Services (DES) is reimbursed by participating agencies through the assessment of annual premiums. Premiums are billed to agencies at the beginning of each fiscal year, while expenses are incurred throughout the year. There are often delays between when large claims are paid from the account and when excess amounts covered by insurance or associated agencies reimburse the account.

We also recognize that expenses paid from the Liability Account for claims and legal defense costs are expected to surpass the biennial premiums paid into the account for the 2025-27 biennium. Claims in fiscal year 2026 are currently estimated to be more than \$542.3 million, resulting in an estimated cash deficit of up to \$1.01 billion.

Due to the amount of this deficiency, prior to any future authorization of cash deficiency in this account, and before the next legislative session, DES must work with its actuarial services provider, OFM, legislative staff, and other appropriate agencies to review the rates, funding structure, and other potential solutions to address this fund's insolvency.

If Account 547 does not return to a positive cash balance by June 30, 2027, or if after that date DES anticipates that the account could return to a deficit cash position, a new request will need to be submitted for approval with updates on the account status and further steps to resolve the deficit.

If you have any questions, please contact Julie Jorgenson, Statewide Accountant, at julie.jorgenson@ofm.wa.gov.

cc: Susan Brooks, Senate Ways and Means Committee
Dave Johnson, House Appropriations Committee
Schennday Hansen, Office of the State Treasurer
Cayenne Chonette, Office of the State Treasurer
Jason Siems, Department of Enterprise Services
Ashley Howard, Department of Enterprise Services
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Jessica Goodwin, Department of Enterprise Services
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